



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 2/8/2011

Report Type: Staff/Discussion

Title: Sports & Entertainment Complex Presentations and Direction

Report ID: 2011-00165

Location: District 1

Recommendation: Receive submittals and presentations from four Sports & Entertainment Complex proponents that were forwarded to the City by the SacramentoFIRST Task Force. Select a proponent to complete an assessment of financial feasibility over a 90 day period.

Contact: John Dangberg, Assistant City Manager, (916) 808-1222; Rachel Hazlewood, Senior Project Manager, (916) 808-8645

Presenter: John Dangberg and each of the four proponents: ICON-Taylor, CORE, Convergence and Natomas ESC

Department: Economic Development Division / City Manager's Office

Division: Downtown Development

Dept ID: 18001021

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Proponent Submittals.docx

City Attorney Review

Approved as to Form
Sheryl N. Patterson
2/3/2011 1:45:00 PM

Approvals/Acknowledgements

Department Director or Designee: John Dangberg - 2/3/2011 1:16:49 PM

Assistant City Manager: John Dangberg - 2/3/2011 1:44:20 PM

Description/Analysis

Issue: At the January 25, 2011 City Council meeting, the SacramentoFIRST Task Force, presented four proposals submitted to the Task Force in response to a call for updated proposals for a new Sports & Entertainment Complex (“Events Center”) for Sacramento. Those four proponents are:

- ICON-Taylor
- CORE
- Convergence
- Natomas ESC Team

At Council’s direction, staff has requested submittal information from each team as detailed in the Background section of this report. The information requested focused specifically on each team’s qualifications and approach to determining the financial feasibility of an Events Center.

Recommended Next Steps: The additional material provided by the four teams will be used to identify the most qualified team to proceed with a feasibility analysis. Staff recommends that Council consider the following criteria when making its selection:

- 1) Development experience on large entertainment/ hospitality venues such as arenas, hotels and convention centers;
- 2) Experience implementing public/private financing mechanisms for large projects;
- 3) Capacity to complete a financial feasibility analysis within 90 days; and
- 4) Approach to completing a financial feasibility analysis.

Staff recommends that City Council select a single team to perform the necessary financial feasibility analysis over the next 90 days. Staff strongly recommends that the focus of the selection be based on a proponent’s capacity and approach to preparing the financial feasibility analysis and not the preferred location for a facility. The analysis may model its assumptions for costs, revenue and financing on any location. That analysis can be adjusted at a later stage to meet additional or reduced costs and revenues of a particular location.

Staff from the City Manager’s Office, the Treasurer’s Office, the Departments of Economic Development and Finance will be available to assist the selected team with their questions and provide complete information about existing City agreements with the Kings, the City budget, assets and revenue streams. At the end of that 90 day period, staff will evaluate the financial feasibility of the proposal and return to City Council within 60 days with a recommendation for next steps.

The proponent submissions were received on the same day as the public posting of this report; therefore, no staff evaluation has been completed on the submittals. Staff will follow up on references prior to the Council meeting on February 8th and report findings.

Policy Considerations: The actions contemplated and described in this report are consistent with City goals of economic development and with the direction provided to staff at the previous Council sessions.

Environmental Considerations: California Environmental Quality Act (CEQA):

Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability: None at this time.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Not applicable.

Financial Considerations: None at this time. However, outside technical expertise may be needed to assist in the evaluation of the selected proposal. This cost is expected to be minimal and within the limits of the City Manager's authority.

Emerging Small Business Development (ESBD): Not applicable.

BACKGROUND

In late 2009, Mayor Kevin Johnson formed a 12-member citizen's task force, SacramentoFIRST, charged with examining options for bringing a new sports and entertainment complex to Sacramento. In March 2010, the SacramentoFIRST Task Force presented its findings for a Sports & Entertainment Complex ("Events Center") to the City Council at a special meeting. The Task Force recommended that the City proceed with an evaluation of the Convergence proposal submitted by Kamilos Companies and David S. Taylor Interests and including various consultants and financing partners (the "Convergence Team") for development of the Events Center.

The Convergence plan called for a three way property swap involving the development of the Events Center on the City-owned Intermodal property at the Railyards, and transferring the City's Natomas property to the State to allow for relocation of the State Fair and Exposition facilities, so that the State could sell the 350 acre portion of the existing Cal Expo property at Point West to Sacramento Convergence to allow for its redevelopment.

On March 16, 2010, the City Council accepted the Task Force recommendation to proceed with the Convergence Plan and directed staff to prepare an Exclusive Right to Negotiate (ERN) Agreement with the Kamilos/Taylor group to allow for an evaluation of the Convergence Plan. The initial term of the ERN was for 120 days and it was extended on July 20, 2010 to expire on October 25, 2010.

On September 24, 2010, the Cal Expo Board of Directors voted not to continue to study the proposed Natomas location for a future Cal Expo as proposed by the Sacramento Convergence team. This action invalidated the Convergence proposal as submitted to the SacramentoFIRST Task Force and as accepted by the City Council. Additionally, Convergence was unable to demonstrate the financial feasibility of the three-way swap concept.

In November after the ERN with Convergence expired, the Mayor requested the SacramentoFIRST Task Force reconvene to revisit the proposals submitted to the Task Force earlier that year. In January 2011, four teams presented their concepts to the SacramentoFIRST Task Force, which conducted its evaluation of the proposals and the teams and ranked the proposals in the following order:

1. ICON-Taylor Team, focused on the Downtown Railyards site
2. CORE Team, focused on the Downtown Plaza site;
3. Convergence Team, focused on a Downtown Railyards site, coordinated with new development at the current Arco Arena site and Cal Expo fairgrounds; and
4. Natomas ESC Team, focused on the current Arco Arena site.

Summaries of the four proposals may be found at the SacramentoFIRST web site: <http://www.sacramentofirst.org/meeting-agendas/>.

While the proposals submitted to the Task Force all included statements of qualifications, they were inconsistent in their assessment of financial feasibility. Some did not include any financial feasibility analysis and others very little. At the January 25, 2011 meeting, City Council directed staff to request additional information from each proposer in order to adequately evaluate each team's qualifications and approach to determining the financial feasibility of the Events Center.

Submission Requirements: Staff requested the following information from each team:

1. Cover Letter: A cover letter highlighting the development team's key qualifications and experience. The letter should clearly identify all of the team members and their roles.
2. Team Resumes: Resumes of principle team members highlighting their experience and role in relevant development projects.
3. Relevant Projects: Information on at least five projects, with contact names and numbers for references, that highlight the team's experience in: event centers, convention centers or other relevant projects from either a financing or development perspective.
4. Preliminary Feasibility Submission Approach and Work Plan: A description of the team's approach and the steps to be taken over the following 90 days to complete the submission requirements. This should include a schedule for the steps to be taken.

Recommended Next Steps: The additional material provided by the four teams provides adequate information to identify the most qualified team to proceed to the next step, which is the feasibility analysis of the proposal. Staff recommends City Council select a single team to perform the necessary financial feasibility analysis over the next 90 days. The selected team will, at a minimum, provide the City with the analysis included as Exhibit A to this attachment.

At the end of that 90 day period, staff will evaluate the financial feasibility of the proposal and return to City Council within 60 days with a recommendation for next steps.

Staff from the City Manager's Office, the Treasurer's Office, the Departments of Economic Development and Finance will be available to assist the selected team with their questions and provide complete information about existing City agreements with the Kings, the City budget, assets and revenue streams.

Time Line for Evaluation of Proposal:

January 25, 2011	Council Presentation by SacramentoFIRST on Sports & Entertainment Complex Proposals
February 8, 2011	Council Presentation by the four teams on Sports & Entertainment Complex
February 9, 2011	Commencement of 90 Day Financial Feasibility Preparation Period
May 9, 2011	Financial Feasibility Analysis Submitted to City
May 10, 2011	City Evaluation of Financial Feasibility Proposal(s) Commences
Mid July 2011	City Staff Completes Review of Financial Feasibility and Returns to City Council with a Recommendation for next steps.

Submission Requirements

1. **Narrative Description:** A narrative description demonstrating the team's understanding of the project, general vision and how to translate that vision into a successful development. Include the use and programming of the proposed center.
2. **Conceptual Project Timeline:** A conceptual project timeline that includes start date, milestones, critical path items and estimated length of time for completion.
3. **Preliminary Financial Plan:** Information to demonstrate the feasibility of potential project financing and the feasibility of the proposed project upon completion. The Financing Plan should include:
 - a. Preliminary design and construction cost estimates including parking, on-site and offsite improvements;
 - b. Preliminary development pro forma budgets;
 - c. Preliminary operating pro forma budgets;
 - d. Sources of funds and financing mechanisms including the financial participation of the development team and the Kings;
 - e. Identity, capacity and interest of financing partners;
 - f. Description of the expected level of public financial participation, public asset contribution (land, parking, etc.), and infrastructure improvements both on-site and offsite;
 - g. Process and timing for securing each type of financial participation/contribution, both public and private;
 - h. Description of expectations regarding City staff involvement in the assessment of site configuration and project review;
 - i. Description of the expected level of concessions, deferrals or waivers being sought for public processing fees, entitlement fees, impact fees, permit or other fees, including the dollar amount being requested;
 - j. Description of how the existing \$65 million City loan for the Power Balance Pavilion will be paid off and description of any changes in the City's security interests;
 - k. Description of the ownership structure of the Sports & Entertainment Complex.
4. **Potential facility operators:** Provide a description of potential operators including a statement of current relationship with the proposed operators.

**PROPONENT SUBMITTALS WILL BE PUBLISHED
ON THE CITY WEBSITE BY
5:00 PM ON FRIDAY, FEBRUARY 4, 2011**